

© 1966 HART SCHAFFNER & MARX  
NEW YORK, N.Y. 10017  
MADE IN U.S.A.

A man in a brown and grey plaid suit, white shirt, and brown tie is the central figure. He is looking down with a slight smile, his hands near a large, dark, gnarled branch. In the background, a woman with reddish-brown hair, wearing a yellow turtleneck and a dark jacket, stands looking towards the camera. The setting is a wooded area with bare trees and a misty or overcast sky. A brown dog's head is visible in the lower right corner, looking up at the man.

# HART SCHAFFNER & MARX



ANNUAL REPORT FOR 1966



## **HART SCHAFFNER & MARX**

### **Board of Directors**

Paul A. Conley  
Albert I. Freeman  
Jerome S. Gore  
John D. Gray  
Walter M. Heymann  
Walter B. D. Hickey, Sr.  
Roger Hull  
Joseph Halle Schaffner  
Elmer Schlesinger, Jr.  
Clay E. Steele  
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Harold R. Ellman, *Vice-President*  
Hugh H. Gallarneau, *Vice-President*  
John R. Meinert, *Vice-President & Comptroller*  
William W. Rowlette, *Vice-President*  
Bill M. Sansing, *Vice-President*  
Richard W. Garbe, *Secretary & Treasurer*  
Leonard G. Johnson, *2nd Vice-President*  
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Max A. Hart, *Assistant Secretary*  
Mark J. Lies, *Assistant Comptroller*

## **SOCIETY BRAND, INC.**

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Joseph G. Peine, *Vice-President*

## **HICKEY-FREEMAN CO., INC.**

Walter B. D. Hickey, Sr., *President*  
Albert I. Freeman, *Senior Vice-President*  
George W. Brayer, *Vice-President*  
Paul S. Brescia, *Vice-President*  
Thomas F. G. Hickey, *Vice-President*  
James A. Logie, *Vice-President*  
Walter B. D. Hickey, Jr., *Secretary*  
Donald B. Parish, *Treasurer*  
Richard W. Garbe, *Asst. Secretary, Asst. Treasurer*



HART SCHAFFNER & MARX

# ANNUAL REPORT FOR 1966

## HIGHLIGHTS

	YEAR ENDED NOVEMBER 30,		
	1966	1965	1964
<b>Operating</b>			
Net Sales .....	\$183,784,000	\$164,352,000	\$143,621,000
Income Before Taxes .....	19,026,000	15,235,000	10,516,000
Net Income .....	10,070,000	8,124,000	5,255,000
Cash Dividends .....	3,350,000	2,542,000	1,988,000
<b>Per Share of Stock*</b>			
Number of Shares .....	4,196,935	4,166,587	4,049,301
Earnings .....	2.40	1.95	1.30
Dividends .....	.80	.62	.53
<b>Financial</b>			
Working Capital .....	\$ 57,926,000	\$ 55,857,000	\$ 51,510,000
Additions to Property and Equipment—Net.....	5,925,000	3,076,000	2,384,000
Depreciation .....	2,092,000	2,032,000	1,856,000
Long-Term Debt .....	10,351,000	11,025,000	12,780,000
Shareholders' Equity .....	65,335,000	58,770,000	51,470,000
Shareholders' Equity Per Share.....	15.57	14.11	12.71
<b>Other</b>			
Number of Employees.....	11,500	10,100	9,700
Number of Shareholders.....	4,000	3,400	2,800
Number of Retail Stores.....	140	127	110

\* Figures have been adjusted to reflect the 2-for-1 split March 25, 1965, and the 3-for-2 split January 14, 1966.





## LETTER FROM THE PRESIDENT

To our Shareholders:

Nineteen sixty-six was another excellent year for Hart Schaffner & Marx:

- Earnings climbed to a new record.
- Sales reached an all-time high.
- The common shares were split three-for-two.
- Dividends were increased.
- Three new manufacturing plants were established.
- Sixteen new retail stores were added to the group.

Earnings and sales established all-time high records—earnings for the fourth consecutive year and sales for the eighth consecutive year. Consolidated earnings were \$10,070,000, a 24 per cent increase over 1965 (\$8,124,000) and a 92 per cent rise over earnings just two years ago (\$5,255,000).

The per-share earnings for 1966 were \$2.40, another record. This is a 23 per cent increase over the \$1.95 of 1965 and an 85 per cent increase over the \$1.30 for 1964.

The sales record of \$183,784,000 showed a 12 per cent rise over 1965 (\$164,352,000) and a 28 per cent increase over 1964 (\$143,621,000).

It has been announced that Hart Schaffner & Marx and Jaymar-Ruby have agreed in principle to merge on a pooling-of-interests basis. The consolidated figures reported above, however, do not include Jaymar-Ruby results, as the transaction with the Michigan City, Indiana, slacks manufacturer is subject

to various conditions and has not yet been closed. It is expected that this acquisition will be consummated in the next 60 days. When the transaction is closed, 1966 and 1965 results will be restated to include Jaymar-Ruby on a pooling-of-interests basis. Consolidated sales will then be approximately \$200,000,000 for 1966 and \$178,000,000 for 1965, an increase of 12 per cent. Consolidated earnings will be approximately \$11,500,000 for 1966 and \$9,500,000 for 1965, an increase of 21 per cent. Per-share earnings will be about \$2.51 for 1966 and \$2.09 for 1965, an increase of 20 per cent.

Effective January 14, 1966, the common shares were split three-for-two and the cash dividends were increased to 20 cents a share (after the stock split), or 80 cents a share on an annual basis, compared to 61⅔ cents. The dividend was in-



creased again, effective January, 1967, to 25 cents a share, or \$1.00 on an annual basis. The new increase represents the ninth consecutive year of dividend improvements and the 28th successive year in which cash dividends have been paid.

The eight divisions of the Company which contributed to the 1966 sales record are Hart Schaffner & Marx, Sterling & Hunt, Graham & Gunn, Ltd., Fashionaire, Society Brand, Hickey-Freeman, Walter-Morton and the Company-owned retail stores.

The growth of the Company has made necessary additional manufacturing facilities. In 1966 production facilities were established in Chaffee, Missouri; Rector, Arkansas; and Rock Island, Illinois. Four existing shops also were modernized and expanded to meet present and anticipated production requirements. Your Company also completed and is operating an automated, air-conditioned and humidity-controlled warehouse which is the most modern in the industry.

Your Company distributes 69 per cent of its products through thousands of quality retail stores in all 50 states with the remainder being sold through the Company's retail store division. It is a tribute to your Company that the products of its various divisions are distributed through America's finest stores.

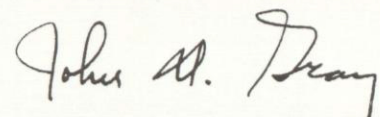
The retail division of Hart Schaffner & Marx added 16 stores during 1966. Your Company now owns and operates 140 stores in 55 U.S. metropolitan areas. Continued growth is planned, and 14 more shopping-center units will open by Fall of 1968.

Strong sales and marketing programs designed to attract and promote the consumer's growing preference for better quality and more highly-styled merchandise played an important role during the year. These factors plus continued close control of costs were responsible for the results achieved in 1966.

There are indications that our economy has slowed to a degree or has reached a temporary plateau. However, it is encouraging to note that sales in our retail division for December, 1966, increased 6.8 per cent and that retailers increased their advance orders placed with the manufacturing divisions of our Company for Spring and Summer 1967 merchandise. In view of the pressure on profits and the uncertainties in our economy, it is imprudent to forecast results but it is expected that 1967 will be another satisfactory year for Hart Schaffner & Marx.

The accomplishments of 1966 would not have been possible without the complete cooperation of your Company's 11,500 employees in both manufacturing and retail facilities. The directors join me in expressing wholehearted appreciation to them for their dedication and loyalty.

Yours truly,

A handwritten signature in dark ink, appearing to read "John D. Gray". The signature is fluid and cursive, with the first name "John" and last name "Gray" being the most prominent parts.

John D. Gray  
President

February 28, 1967





## THE YEAR IN REVIEW

### **HART SCHAFFNER & MARX DIVISION**

During 1966 your Company tailored more clothing under the Hart Schaffner & Marx label than at any time in its history. The year's sales showed a substantial increase, and the number of independent accounts reached an all-time high. The demand for Hart Schaffner & Marx clothing continues to grow—advance orders for Spring 1967 showed a further gain over the same period in 1966.

The Company tailors a comprehensive range of styles that have wide general acceptance. Its three "looks"—natural shoulder, contemporary and advance-fashion—appeal to men of all ages, and new style ideas such as the double-breasted and shaped-silhouette looks are developed to give the men's fashion picture a fresh outlook and broader scope.

Retail stores look to your Company not only for the best of the new styles but for a complete merchandising and promotion plan. Such cooperative efforts on the part of the manufacturer and retailer to sell products profitably to the consumer are often referred to as "partnership programming."

Every season Hart Schaffner & Marx creates complete promotional programs, one being available for each two-week period.

The Bombay blazer program for the Spring 1967 season is a typical example. The blazer currently is an important item in nearly every clothing line, and Hart Schaffner & Marx gave this style special impetus by uniquely coordinating it with slacks and furnishings and then extensively promoting it. The Hart Schaffner & Marx blazer, tailored of an exclusive Forstmann fabric, is offered in 19 different shades, each available with a choice of three slacks. A national advertisement (seen on page 7) featuring Bob Hope wearing a double-breasted style is now appearing in national magazines. In addition, dealers are offered a full-color newspaper advertisement, a color television commercial, direct-mail folders, display suggestions, free newspaper publicity, and special tie-in contests for store personnel. Ninety-one per cent of the stores featuring Hart Schaffner & Marx clothing are participating in this blazer promotion—an outstanding example of partnership programming.

In order to measure how effective its partnership programming is in all areas, the





*Boulevardier Blue suits by Hart Schaffner & Marx keep world travelers and stay-at-homes handsomely cool.*





*Fashionaire division of Hart Schaffner & Marx tailors "Fashions in Business" for banks like the one shown here, savings and loan institutions, airlines and other organizations with many employees meeting the public.*

Company asked a leading research organization to survey retailers throughout the country without identifying the sponsor of the study. Ninety-two per cent of the stores carrying the Hart Schaffner & Marx line rated it No. 1 with second rank at 77 per cent going to another of our national brands, Sterling & Hunt. In national advertising, the opinion study revealed that 90 per cent of the stores surveyed rated Hart Schaffner & Marx as having the most productive national campaign. Hart Schaffner & Marx men's clothing is advertised each season in *Time*, *Newsweek*, *Esquire*, *Holiday*, *Gentlemen's Quarterly*, *The New Yorker*, *Sports Illustrated* and *Town & Country* magazines.

As a further means of assisting its dealers your Company conducted a special management seminar and workshops on retail operations and problems at the annual convention of the Menswear Retailers of America held in Chicago in mid-February.

The Hart Schaffner & Marx women's department, which tailors quality coats and suits, advertises in such leading magazines as *Harper's Bazaar* and *Vogue*. These fashions are distributed coast to coast. Emphasis is being made in the current line on colorful fabrics with unusual textures and weaves as well as softer fashion lines.

A part of the Hart Schaffner & Marx manufacturing facilities is being used to fulfill your Company's government military uniform contracts for 97,000 Army enlisted men's jackets and 29,000 trousers.

#### **STERLING & HUNT DIVISION**

Sterling & Hunt is probably the most rapidly growing clothing line in the industry. Advance orders for Spring 1967—the fourth season of its existence—are 49.7 per cent ahead of the previous season. Sterling & Hunt clothes are now offered coast





*Sterling & Hunt Cougar suit is being nationally advertised for Spring and Summer.*



*Bob Hope—all 18 of him—are helping sell the Hart Schaffner & Marx Bombay blazer this season.*



to coast—from Macy's, New York, in the East to the May Company, Los Angeles, in the West; from Carson Pirie Scott & Co., Chicago, in the North to Jordan Marsh and Maas Bros. in Florida, in the South. New Sterling & Hunt accounts are being added each season, and many fine stores are featuring this brand for the first time in 1967.

Sterling & Hunt dealers are offered promotions for every two-week period of the year, the merchandising ideas being entirely different from those of Hart Schaffner & Marx. National magazine advertising of the brand continues to expand and for the Spring 1967 season it is being featured in *Sports Illustrated*, *The New Yorker*, *Holiday*, *Town & Country*, *Gentlemen's Quarterly* and the metropolitan edition of *Time* magazine.

The March issue of *Gentlemen's Quarterly* magazine now in circulation features Rock Hudson in a double-breasted Sterling & Hunt suit on the cover. Other Sterling & Hunt fashions are pictured in an editorial feature in the magazine.

#### **GRAHAM & GUNN, LTD., DIVISION**

Graham & Gunn, Ltd., is a special division whose clothing is designed for America's finest specialty stores. Introduced in Fall 1965, Graham & Gunn clothing is now offered by a number of outstanding stores which are subsidiaries of your Company: Capper & Capper, Ltd., of Chicago and Detroit; F. R. Tripler & Co., Inc., of New York City; Jack Henry of Kansas City, Missouri; Littler of Seattle, Washington, and Pebble Beach, California; and Root's of Summit, New Jersey. It is also featured by such fine independent specialty stores as Hubert W. White of Minneapolis and St. Paul, Norton Ditto of Houston, Andrade, Ltd., of Honolulu, and others.

Graham & Gunn clothing is priced just below that of Hickey-Freeman, and its fabrics and styles are expressly created to fulfill the needs of these particular stores.

National advertisements promoting Graham & Gunn clothing are run in such prestige magazines as *The New Yorker*. A special Christmas book has also been developed for retailers featuring this line.

#### **FASHIONAIRE DIVISION**

The Fashionaire Division of Hart Schaffner & Marx tailors "Fashions in Business" for organizations seeking a visual identity for their personnel. The practice of providing standard fashions for employees meeting the public is growing throughout the country as corporations seek a means to assure an attractive appearance, reduce dress competition among personnel, and provide a coordinated look.

Fashionaire clothing has been provided for hundreds of corporations such as airlines for their pilots, stewardesses and ground personnel; banks and savings and loan institutions, as well as other companies dealing directly with the public. These organizations choose Hart Schaffner & Marx business fashions because your Company can provide unique personalized service through its independent and subsidiary retail stores in every section of the U.S.





*Automated equipment in the Company's new warehouse provides for the arrival, storage and transfer of garments prior to shipment.*



### **SOCIETY BRAND DIVISION**

The Society Brand Clothes division, whose manufacturing facilities are located in Chicago, recorded in fiscal 1966 the highest sales in its history. Its Spring 1967 advance orders increased, and its list of dealers, always quality specialty and department stores, continues to expand from coast to coast. It distributes under the Society Brand and Thos. Heath labels.

Retailers look to Society Brand for the best of the new advance fashions. The division is receiving national recognition as well as consumer and trade press coverage for a special look-ahead collection it presented last Fall in New York. Society Brand helps fill the increasing demand for high-fashion styles. The Matador Collection which it introduced a year ago has been acclaimed both by retailers and consumers.

Matador styles, as well as other major Society Brand fashion promotions, are featured in full-color magazine advertisements, national and local newspaper advertisements, consumer direct-mail folders, in-store displays, and editorial publicity.

### **HICKEY-FREEMAN DIVISION**

The Hickey-Freeman Co., Inc., an affiliate of Hart Schaffner & Marx headquartered in Rochester, New York, established record-breaking profits and sales during fiscal 1966. Advance orders for Spring 1967 are higher than those for Spring 1966.

During the past year the retail stores carrying Hickey-Freeman products have registered a marked increase in sales made to consumers who previously patronized merchant tailors. Hickey-Freeman maintains a Special Order department to serve the needs of all men who, for reasons of build or taste, like to have clothing made to their own personal specifications. This Special Order service is avail-

*Colorful sportswear—for cruise and summer—is part of the 1967 Hickey-Freeman collection.*







*Lean, elegant lines typify the Matador suit by Society Brand.*



able to all Hickey-Freeman retailers.

During 1966 Hickey-Freeman actively recruited and employed tailoring craftsmen both here and abroad. The resulting increase in manufacturing personnel created an important expansion in productive capacity. It likewise lowered the average age of shop personnel and provided a reservoir of tailoring talent for the development of departmental foremen, quality supervisors and other specialists.

Enlarged production was necessary to permit Hickey-Freeman to satisfy the growing needs of the fine specialty and department stores that offer its clothing coast to coast. In addition to the division's contemporary styles, which command the same strong following as previously, two other fashion trends—the high-fashion look and the natural shoulder look—are rapidly expanding.

In the field of retail sales promotion, two feature fabrics, introduced by Hickey-Freeman several seasons ago, continue to register strong growth. Corrigan Twill—the suit that Hickey-Freeman made famous by having the cloth finished on the reverse side to achieve exceptional luster and luxury—breaks sales records season after season. Corrigan Twill also is tailored in topcoats and slacks.

A newer introduction—called Diamond Head—is turning in a comparable performance in the sport coat field. The fabric is a blend of worsted, mohair and rare baby alpaca that has a satin-smooth touch unusual in a hopsack-type weave.

#### **WALTER-MORTON DIVISION**

Progress during 1966 in the Walter-Morton division of the Hickey-Freeman Co. has been gratifying. Increases were achieved not only in unit and dollar volume but also in the total number of retail distributors who feature Walter-Morton Clothes as their top line.

Walter-Morton placements are handled in a highly selective manner. New dealers are added when gains in productive capacity permit. Recently three of the finest stores in America began featuring Walter-Morton. It is expected that similar additions will be made each year, starting with Fall 1967.

Possibly no clothing line in America has its distribution so concentrated among the highest-rated retail clothing establishments of the nation. These include such fine stores as Louis Inc. of Boston; Bullock & Jones of San Francisco; Hubert W. White of Minneapolis and St. Paul; Neiman-Marcus of Dallas, Fort Worth and Houston; and Maus & Hoffman of Palm Beach and Bal Harbour, Florida.

#### **RETAIL STORE DIVISION**

The retail division of your Company added 16 stores during fiscal 1966, thereby establishing Company-owned stores in five metropolitan areas where it previously was not represented. Now operating in a total of 55 metropolitan areas, your Company's 140 stores established record sales and profits for fiscal 1966.

New shopping-center and suburban stores were opened during 1966 by:

- Baskin of Chicago in River Oaks Shopping Center, Calumet City, and in Highland Park, Illinois (both suburbs of Chicago).
- Lang's of Akron in Chapel Hill.
- Walkers of Dayton in Salem Mall.





Men's clothing department in the Country Club Plaza store of Jack Henry in Kansas City, Missouri.



Exterior view of Walkers' store in the Salem Mall Shopping Center, Dayton.





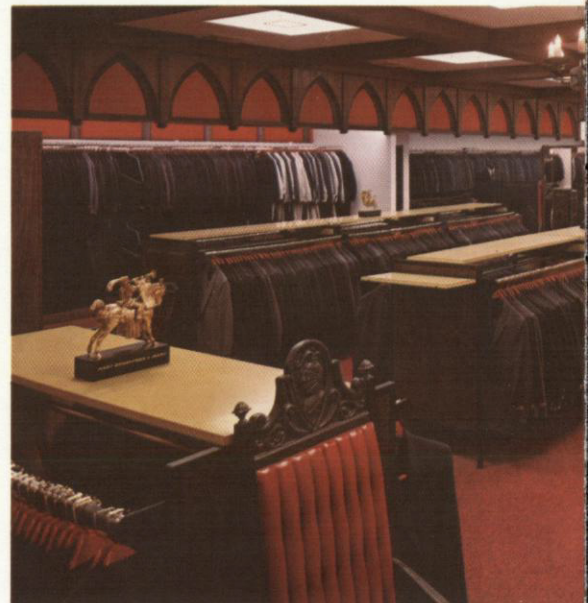
Wolff's Northwest Plaza Shopping Center store in St. Louis.



Rosenblatts' newly re-



The new Baskin River Oaks Shopping Center store in Calumet City, near Chicago.



Men's clothing department in Silverwood's new Inland





- Wolff's of St. Louis in Northwest Plaza.
- Leopold Price & Rolle of Houston in Memorial City.
- Stevens of New Orleans in Oakwood.
- Silverwoods of Los Angeles in the Inland Shopping Center, San Bernardino, California. This is one of the new metropolitan areas into which the retail store division expanded during 1966.

New retail subsidiaries added during the past year were:

- Ray Beers Clothing Company, Topeka, Kansas.
- The B. R. Baker-Cleveland Co., Cleveland.
- Jack Henry Clothing Company, Kansas City, Missouri.
- Waymire Clothing Co., which operates two stores in Colorado Springs, Colorado
- Konner's with stores in Paterson and Paramus, New Jersey.
- Gus Roos Co., Dallas.

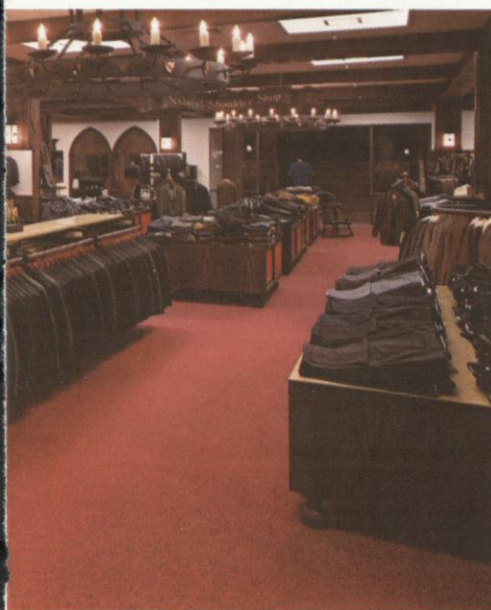
The first four store groups in the above list represent new metropolitan areas in which your Company now operates stores.

Hart Schaffner & Marx stores are quality retailers in their communities and offer the finest brand names in men's, boys' and women's apparel and accessories. Your Company believes that a modern, well-situated downtown store is the key to a successful retail operation. Each year Hart Schaffner & Marx puts this belief into action with a continuing program for remodeling and refurbishing stores and, in some instances, re-locating downtown stores to better sites. During 1966 both Rosenblatts of Portland, Oregon, and Wicks & Greenman of Utica, New York, moved their downtown stores to new locations in the downtown areas. Major re-modeling programs were completed by Levy's of Jacksonville, Florida, and Lie-mandt's of Minneapolis, Minnesota.

Plans for 1967 include the expansion and remodeling of Wallachs' 45th Street store and the F. R. Tripler store, both located in New York City. The Company also plans a complete renovation of the Ray Beers store in Topeka and a downtown re-location for Klopfenstein's Seattle store.

In choosing new sites for stores, whether it's for the construction of a new unit or the re-location of an existing store, primary importance is given to whether a proposed store will benefit from the substantial increases in population and spendable income projected for that particular metropolitan area. Careful site selection plays a vital role in the successful growth of the Hart Schaffner & Marx retail division.

In 1966 the retail stores again contributed significantly to the Company's earnings and sales. Store volume, including sales of leased departments, was over \$130,000,000. Profits of the division last year increased at a greater rate than sales.



*located downtown store in Portland, Ore.*

*Shopping Center store in San Bernardino.*





## FINANCIAL REVIEW

**Earnings:** Consolidated earnings in 1966 were \$10,070,000, the highest in our history and a new record for the fourth consecutive year. Results for 1965 and 1964 were \$8,124,000 and \$5,255,000, respectively. Earnings for 1966 were 24 per cent above 1965 and 92 per cent above 1964 earnings.

On a per-share basis earnings were \$2.40 based on 4,196,935 shares outstanding at November 30, 1966. This compares with \$1.95 based on 4,166,587 shares outstanding on November 30, 1965, and \$1.30 on 4,049,301 shares outstanding on November 30, 1964, after adjustment for the stock splits of two-for-one on March 25, 1965, and three-for-two on January 14, 1966. Per-share earnings for 1966 were 23 per cent ahead of 1965 and 85 per cent ahead of 1964.

**Sales:** Consolidated sales for the year of \$183,784,000 reached a new high for the eighth consecutive year. This was a 12 per cent increase over 1965 sales of \$164,352,000 and a 28 per cent increase over 1964 sales of \$143,621,000. Sales increased substantially in all divisions. Sales of the retail store division including sales of leased departments increased to over \$130,000,000. Consolidated sales do not include leased department sales or sales by the manufacturing divisions to the retail store division.

**Common stock—Stock splits:** The additional shares resulting from a three-for-two stock split to shareholders of record January 14, 1966, were distributed on February 4, 1966. There was no change in the par value of \$2.50 per share.

At the annual shareholders meeting on March 28, 1966, the shareholders approved an increase in the number of authorized shares from 7,500,000 of \$2.50 par value to 15,000,000 shares of \$2.50 par value. The additional shares will provide for future acquisitions, stock splits and other corporate purposes.

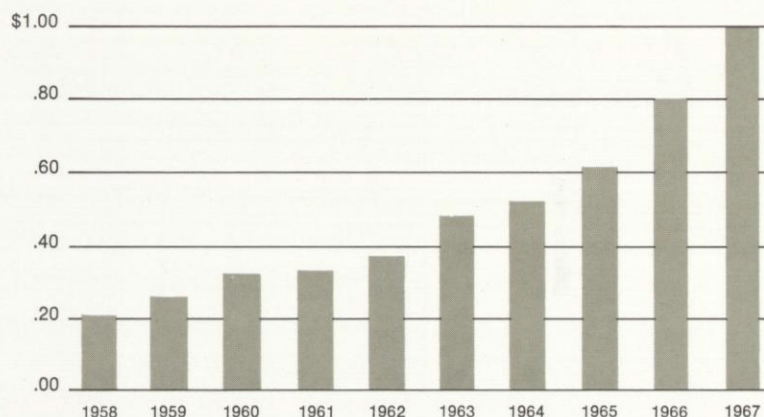
**Cash Dividends:** The dividend was increased from 16 $\frac{2}{3}$  cents to 20 cents a share in the first quarter of 1966 (after the three-for-two stock split January 14, 1966) and four quarterly payments of 20 cents per share or a total of 80 cents per share were paid in 1966. This compares with 61 $\frac{2}{3}$  cents paid in 1965 (adjusted for stock splits), an increase of 30 per cent.

The dividends paid to shareholders in 1966 totaled \$3,350,000 or 33 per cent of earnings.



The dividend paid February 3, 1967, to shareholders of record January 13, 1967, was increased to 25 cents a share or \$1.00 on an annual basis. This marks the ninth consecutive year of dividend increases.

Cash Dividends since 1958



### Working Capital

Working capital increased during the year from \$55,857,000 to \$57,926,000. The principal changes in working capital position for the year are shown in the following table:

#### Funds came from:

Earnings for the year.....	\$10,070,000
Depreciation, a non-cash expense.....	2,092,000
Proceeds of stock options exercised.....	548,000
Other .....	48,000
<b>Total.....</b>	<b>\$12,758,000</b>

#### And were used for:

Payment of dividends.....	\$ 3,350,000
Reduction of long-term debt—net.....	675,000
Property additions—net .....	5,925,000
Treasury shares acquired—net of treasury shares used for acquisitions.....	739,000
<b>Total.....</b>	<b>\$10,689,000</b>
<b>Increase in working capital.....</b>	<b>\$ 2,069,000</b>



# CONSOLIDATED BALANCE SHEET

HART SCHAFFNER & MARX AND SUBSIDIARY COMPANIES

## Assets

NOVEMBER 30,

1966

1965

### CURRENT ASSETS:

Cash.....	\$ 1,444,782	\$ 3,060,996
Accounts receivable, less allowance for doubtful accounts—\$1,833,927 and \$1,644,355, respectively.....	31,027,586	26,466,053
Inventories, at lower of cost or market.....	59,518,345	49,060,228
Prepaid expenses.....	923,343	658,347
Total current assets.....	<u>92,914,056</u>	<u>79,245,624</u>

### CASH VALUE OF LIFE INSURANCE

AND OTHER INVESTMENTS.....	<u>570,074</u>	<u>581,772</u>
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### PROPERTIES, at cost:

Land.....	852,581	846,911
Buildings and equipment.....	26,541,475	22,074,206
Leasehold improvements.....	14,792,318	13,744,541
	<u>42,186,374</u>	<u>36,665,658</u>
Accumulated depreciation and amortization...	24,994,851	23,307,276
	<u>17,191,523</u>	<u>13,358,382</u>
	<u>\$110,675,653</u>	<u>\$ 93,185,778</u>



**Liabilities**

NOVEMBER 30,

**1966****1965****CURRENT LIABILITIES:**

Notes payable.....	<b>\$ 10,000,000</b>	<b>\$ 1,000,000</b>
Current maturities of long-term debt.....	<b>724,215</b>	<b>744,566</b>
Accounts payable.....	<b>13,501,432</b>	<b>12,284,473</b>
Accrued expenses.....	<b>6,002,515</b>	<b>5,701,647</b>
Federal and state income taxes.....	<b>4,760,339</b>	<b>3,658,139</b>
Total current liabilities.....	<b>34,988,501</b>	<b>23,388,825</b>

**LONG-TERM DEBT, less current maturities:**

4 $\frac{7}{8}$ % note payable \$600,000 annually to 1983..	<b>9,600,000</b>	<b>10,200,000</b>
Other debt, extending to 1978.....	<b>750,578</b>	<b>825,351</b>
	<b>10,350,578</b>	<b>11,025,351</b>

**MINORITY SHAREHOLDERS' INTEREST.....****1,413** **1,265****SHAREHOLDERS' EQUITY:—****Common stock (Notes 2 and 3):**

	<b>1966</b>	<b>1965</b>		
Authorized shares... 15,000,000	7,500,000			
Par value..... \$2.50	\$2.50			
Issued shares..... 4,218,579	4,169,926...	<b>10,546,447</b>	<b>10,424,815</b>	
Capital surplus (Note 4).....		<b>2,974,886</b>	<b>2,512,700</b>	
Retained earnings (Note 5).....		<b>52,567,751</b>	<b>45,847,444</b>	
		<b>66,089,084</b>	<b>58,784,959</b>	

**Treasury stock, at cost—21,644 and**

3,339 shares, respectively (Note 2).....	<b>753,923</b>	<b>14,622</b>
	<b>65,335,161</b>	<b>58,770,337</b>
	<b>\$110,675,653</b>	<b>\$ 93,185,778</b>

(See accompanying notes to financial statements)



## CONSOLIDATED STATEMENT OF INCOME

HART SCHAFFNER & MARX AND SUBSIDIARY COMPANIES

	FISCAL YEARS ENDED NOVEMBER 30,	
	1966	1965
Net sales.....	<b>\$183,783,617</b>	\$164,352,316
Other income.....	<b>1,014,495</b>	722,880
	<b>184,798,112</b>	165,075,196
Cost of goods sold.....	<b>110,470,453</b>	99,810,617
Selling, administrative and occupancy expense..	<b>52,342,952</b>	47,336,777
Depreciation and amortization.....	<b>2,092,137</b>	2,031,923
Interest.....	<b>866,752</b>	661,264
	<b>165,772,294</b>	149,840,581
Income before taxes.....	<b>19,025,818</b>	15,234,615
Taxes on income.....	<b>8,955,720</b>	7,110,451
Net income for the year.....	<b>\$ 10,070,098</b>	\$ 8,124,164

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Retained earnings at beginning of year.....	<b>\$ 45,847,444</b>	\$ 40,265,464
Net income for the year.....	<b>10,070,098</b>	8,124,164
	<b>55,917,542</b>	48,389,628
Deduct:		
Cash dividends (after giving effect to the stock split described in Note 2 ), \$.80 and \$.61½ per share, respectively.....	<b>3,349,791</b>	2,542,184
Retained earnings at end of year.....	<b>\$ 52,567,751</b>	\$ 45,847,444

(See accompanying notes to financial statements)



## NOTES TO FINANCIAL STATEMENTS

### NOTE 1—PROPOSED ACQUISITION OF JAYMAR-RUBY:

The Company has agreed in principle and publicly announced a proposed acquisition of the Jaymar-Ruby group of companies in exchange for approximately 381,000 shares of common stock. At this date the agreement has not been finalized nor the number of shares definitely determined. The acquisition is expected to be consummated within 60 days and at that time it will be accounted for as a "pooling of interests" and accordingly 1966 and 1965 will be restated. (See comments in President's letter.)

### NOTE 2—CAPITAL STOCK:

The three-for-two stock split effective on January 14, 1966, had been reflected in the November 30, 1965, financial statements. On March 28, 1966, the shareholders approved an increase in the authorized \$2.50 common stock from 7,500,000 to 15,000,000 shares.

### NOTE 3—STOCK OPTION PLANS:

Under the Company's stock option plans, 259,229 shares of unissued common stock were reserved at November 30, 1966, for options granted or to be granted to officers and key employees. The changes in the number of shares under option during the year were as follows:

	Shares
Under option—November 30, 1965, as previously reported.....	198,920
Options granted during the year.....	57,270
Options terminated during the year.....	(526)
Options exercised during the year.....	(48,652)
Under option—November 30, 1966.....	<u>207,012</u>
Options exercisable—November 30, 1966.....	<u>61,446</u>

All options were granted at the highest selling price of the stock on the New York Stock Exchange on the dates of the grants. Options were exercised during the fiscal year 1966 at prices ranging from \$7.63 to \$25.17 per share, and options outstanding at the close of the year ranged in price from \$7.72 to \$40.00 per share.

### NOTE 4—CAPITAL SURPLUS:

Changes in capital surplus during the year include credits representing (1) the excess of proceeds from the

sale of stock under stock option plans over the par value of the unissued shares sold (\$425,935) and (2) the excess of market value over cost of treasury stock exchanged in the routine acquisition of a retail subsidiary company during the year (\$36,251).

### NOTE 5—RESTRICTION ON RETAINED EARNINGS:

Under the terms of the agreement relating to the 4 $\frac{7}{8}$ % note payable, \$31,895,000 of retained earnings at November 30, 1966, was restricted as to the payment of cash dividends.

### NOTE 6—LEASES:

At November 30, 1966, the Company and its subsidiaries were parties to 176 separate noncancelable lease agreements primarily covering retail store properties. These leases, expiring within one to 31 years, require minimum annual rental payments of \$4,600,000, and total minimum rentals payable over the remaining full term of the leases of approximately \$53,000,000. Certain of the leases provide for payment of taxes by the lessees and additional rental based on a percentage of sales in excess of stipulated minimums. The total rentals paid, including those under short-term cancelable leases, were \$6,782,000 in 1966 and \$5,982,000 in 1965.

### NOTE 7—PENSION PLANS:

The Company and its subsidiaries have several pension plans covering substantially all non-union employees and some union employees. These plans are administered partly under trust agreements and partly through group annuity contracts with an insurance company. Company contributions to the plans are based upon the actuarial requirements of the plans. The principal plan requires contributions by the employees. Total pension cost for the year ended November 30, 1966, was \$729,000, which includes current service cost and, as to certain of the plans, amortization of prior service cost at the rate of 10% per year. The Companies' policy is to fund future and past service pension costs as accrued. The amounts funded under the plans exceed the actuarially computed total of vested benefits at November 30, 1966.

In addition to the above, the Companies contribute amounts based on a percentage of the wages of other union employees to funds administered by the unions for combined employees' welfare and retirement benefits.

Chicago, February 15, 1967

#### To the Shareholders and Board of Directors of Hart Schaffner & Marx

In our opinion, the accompanying consolidated balance sheet and related consolidated statements of income and retained earnings present fairly the financial position of Hart Schaffner & Marx and its subsidiary companies at November 30, 1966, and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.



## FIFTEEN-YEAR SUMMARY

### FINANCIAL POSITION

At Nov. 30	Working Capital	Properties Less Depreciation	Long Term Debt	Shareholders' Equity	
				Total	Per Share
<b>1966</b>	<b>\$57,926,000</b>	<b>\$17,192,000</b>	<b>\$10,351,000</b>	<b>\$65,335,000</b>	<b>\$15.57</b>
1965	55,857,000	13,358,000	11,025,000	58,770,000	14.11
1964	51,510,000	12,314,000	12,780,000	51,470,000	12.71
1963	48,505,000	12,001,000	13,312,000	47,167,000	12.02
1962	33,515,000	10,866,000	5,768,000	38,754,000	11.50
1961	32,067,000	10,484,000	5,830,000	36,963,000	11.07
1960	30,408,000	11,097,000	6,350,000	35,461,000	10.67
1959	29,780,000	10,719,000	6,869,000	33,924,000	10.44
1958	28,139,000	11,123,000	7,253,000	32,267,000	9.83
1957	24,826,000	11,932,000	6,260,000	31,141,000	9.49
1956	23,287,000	11,903,000	5,467,000	29,928,000	9.12
1955	22,981,000	11,233,000	6,224,000	28,130,000	8.57
1954	22,523,000	11,307,000	7,041,000	26,952,000	8.21
1953	20,006,000	11,336,000	5,207,000	26,280,000	8.01
1952	19,097,000	12,039,000	5,903,000	25,416,000	7.74



SALES EARNINGS DIVIDENDS

Year Ended Nov. 30	Net Sales	Income Before Taxes		Net Income		Earnings Per Share	Cash Dividends Per Share
		Amount	% to Net Sales	Amount	% to Net Worth		
<b>1966</b>	<b>\$183,784,000</b>	<b>\$19,026,000</b>	<b>10.4</b>	<b>\$10,070,000</b>	<b>17.1</b>	<b>\$2.40</b>	<b>\$ .80</b>
1965	164,352,000	15,235,000	9.3	8,124,000	15.8	1.95	.62
1964	143,621,000	10,516,000	7.3	5,255,000	11.1	1.30	.53
1963	126,023,000	8,089,000	6.4	3,916,000	10.1	1.00	.47
1962	97,786,000	5,797,000	5.9	2,886,000	7.8	.86	.37
1961	90,737,000	4,613,000	5.1	2,509,000	7.1	.75	.32
1960	89,905,000	4,986,000	5.5	2,288,000	6.7	.69	.31
1959	83,142,000	5,261,000	6.3	2,811,000	8.7	.87	.25
1958	76,149,000	3,202,000	4.2	1,827,000	5.9	.56	.21
1957	80,812,000	3,397,000	4.2	1,895,000	6.3	.58	.21
1956	79,532,000	4,314,000	5.4	2,458,000	8.7	.75	.21
1955	74,771,000	3,797,000	5.1	1,736,000	6.4	.53	.17
1954	66,576,000	2,689,000	4.0	1,229,000	4.7	.38	.17
1953	68,867,000	3,042,000	4.4	1,425,000	5.6	.43	.17
1952	62,263,000	1,860,000	3.0	1,035,000	4.2	.32	.17

Figures prior to 1963 have not been restated to reflect the acquisition of Hickey-Freeman Co. on a pooling-of-interests basis. All per-share statistics are based on stock outstanding at end of each year adjusted to reflect a 5-for-4 stock split April 3, 1956, a 2-for-1 split March 31, 1960, a 5-for-4 split February 8, 1963, a 2-for-1 split March 25, 1965, and a 3-for-2 split January 14, 1966.



## 140 RETAIL STORES AND THEIR EXECUTIVE OFFICERS

**B. R. BAKER**—Cleveland, Ohio—*George Comte and Robert Cleary*  
**BASKIN (11)**—Chicago, Champaign-Urbana, Ill.—*Earl Graham*  
**RAY BEERS**—Topeka, Kansas—*Philip C. Gibson*  
**BLACKBURN'S (2)**—Amarillo, Tex.—*Clarence P. Sigmon*  
**CAPPER & CAPPER, LTD. (2)**—Chicago, Ill., and Detroit, Mich.—*Robert A. Ratty*  
**FANNIN'S (2)**—Montgomery, Ala.—*Thomas H. Nelson*  
**JACK FOX & SONS**—Hammond, Ind.—*Clarence L. Fox, Roland F. Fox and Robert F. Orr*  
**ARTHUR FRANK (2)**—Salt Lake City, Utah—*Simon Frank and Russell G. Bartow*  
**FRANK BROS.**—San Antonio, Tex.—*Stanley Frank, Sr., and Donald A. Miller*  
**GRIEGER'S**—Michigan City, Ind.—*Dwight M. Bowman, Walter Leverenz and William L. Waterman*  
**HAGSTRUM'S**—St. Paul, Minn.—*H. Vincent Hagstrum*  
**HANNY'S (5)**—Phoenix, Ariz.—*Ben Projan*  
**HASTINGS and MOORES (13)**—San Francisco-Sacramento, Calif.—*George W. Clarke*  
**HAYNES**—Springfield, Mass.—*Eric W. Danielson*  
**JACK HENRY**—Kansas City, Mo.—*Jack Henry and Ernest A. Dick*  
**HORSFALLS**—Hartford, Conn.—*James T. Foley*  
**J. O. JONES**—Charlotte, N. C.—*William W. Watts*  
**KLOPFENSTEIN'S—LESLIE-HUGHES (5)**—Seattle-Tacoma, Wash.—*Hugh C. Klopfenstein*  
**KONNER'S (2)**—Paterson, N. J.—*Benn Konner and Jay Konner*  
**HERMAN KUCHARO**—Des Moines, Iowa—*Herman Kucharo and Nate Bernstein*  
**LANG'S (3)**—Akron, Ohio—*Frank M. Mark*  
**LEOPOLD PRICE & ROLLE (3)**—Houston, Tex.—*Joyce Lehman*  
**LEVY'S**—Jacksonville, Fla.—*Harold F. Wolf, Jr.*  
**MORRIS LEVY**—Savannah, Ga.—*Dick Shanks*  
**LIEMANDT'S**—Minneapolis, Minn.—*John A. Liemandt*  
**LITTLER (2)**—Seattle, Wash., and Pebble Beach, Calif.—*A. A. Littler and Lawrence Fry*  
**HEYWARD MAHON**—Greenville, S. C.—*Bernard M. Lipscomb*  
**THE MAN STORE**—Asheville, N. C.—*Stan L. Smolen*  
**MCLEOD WATSON & LANIER**—Raleigh, N. C.—*G. Louis Schanze*  
**MERRITT SCHAEFER & BROWN (2)**—Austin, Tex.—*S. H. Ashford*  
**OLSON & VEERHUSEN (2)**—Madison, Wisc.—*Robert L. Whitson*  
**DICK RICHMOND (2)**—Miami, Fla.—*William Handelman*  
**ROOT'S**—Summit, N. J.—*Perry Franklin Root*  
**ROSENBLATTS (2)**—Portland, Ore.—*T. Jackson Aycock*  
**SCHREIBER'S**—Scranton, Pa.—*Harold Barnett*  
**SHULMAN'S**—Norfolk, Va.—*Leroy Shulman, Lewis Shulman and Gilbert D. Orlik*  
**SILVERWOODS (12)**—Los Angeles, Calif.—*Stephen C. Bilheimer*  
**SMALL'S**—Lansing, Mich.—*George J. Clark*  
**STEVENS**—Jackson, Miss.—*William L. Featherstone*  
**STEVENS (3)**—New Orleans, La.—*Leonard R. Porter*  
**F. R. TRIPLER & CO., INC.**—New York, N. Y.—*S. S. Daily*  
**C. N. VICARY CO.**—Canton, Ohio—*Francis J. Sweeney*  
**WALKERS (3)**—Columbus, Ohio—*Paul F. Cockrell*  
**WALKERS (3)**—Dayton-Canton, Ohio—*Glen L. Waltrip*  
**WALLACHS (15)**—New York, N. Y., and New Jersey—*Robert J. Witt*  
**WAYMIRE (2)**—Colorado Springs, Colo.—*C. C. Waymire and Jack Waymire*  
**WEATHERWAX**—Sioux City, Iowa—*Carrol N. Smith and Glenn E. Turk*  
**WICKS & GREENMAN**—Utica, N. Y.—*James G. Capps and Arthur R. Scoones*  
**JAS. K. WILSON and GUS ROOS (6)**—Dallas, Tex.—*James K. Wilson, Sr., and Alex J. Cochrane*  
**WOLF BROTHERS (3)**—Tampa, Fla.—*Fred L. Wolf*  
**WOLFF'S (3)**—St. Louis, Mo.—*Eric Pietras*  
**ZACHRY (4)**—Atlanta, Ga.—*John H. Brown*



ONE HUNDRED FORTY (140) RETAIL STORES ●

THIRTEEN (13) FACTORIES ■

FOUR (4) OFFICES ▲



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#### OFFICES

HART SCHAFFNER & MARX AND SOCIETY BRAND: 36 South Franklin Street, Chicago, Ill., 60606 and  
Sperry Rand Building, 1290 Avenue of the Americas, New York, N.Y., 10019  
HICKEY-FREEMAN: 1155 Clinton Avenue North, Rochester, N.Y., 14601 and  
Sperry Rand Building, 1290 Avenue of the Americas, New York, N.Y., 10019

#### FACTORIES

HART SCHAFFNER & MARX (8): Chicago, Ill. (3); Joliet and Rock Island, Ill.; Rochester, Ind.; Rector, Ark., and Chaffee, Mo.  
HICKEY-FREEMAN (5): Rochester, Buffalo, East Rochester, Hornell, and LeRoy, N.Y.

#### Transfer Agents

The First National Bank of Chicago, Chicago, Ill. 60690  
Bankers Trust Company, New York, N.Y. 10015

#### Registrars of Stock

Continental Illinois National Bank and Trust Company of Chicago, Chicago, Ill. 60690  
Chemical Bank New York Trust Company, New York, N.Y., 10015

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**HART SCHAFFNER  
& MARX**



**SOCIETY BRAND**



**STERLING & HUNT**



**GRAHAM & GUNN, LTD.**



**FASHIONAIRE**



**HICKEY-FREEMAN**



**WALTER-MORTON**